UNITED
NATIONS

A

General Assembly

Distr.
GENERAL

A/49/214
25 July 1994

ORIGINAL: ENGLISH

Forty-ninth session
Item 107 of the provisional agenda*

FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly the summary of the principal findings and conclusions for remedial action of the Board of Auditors, contained in its reports to the General Assembly, on the audit of the accounts for the financial period ended 31 December 1993, prepared by the Board of Auditors in accordance with General Assembly resolution 47/211 of 23 December 1992 (see annex).

* A/49/150.

ANNEX

Concise summary of principal findings, conclusions and recommendations contained in the reports prepared by the Board of Auditors for the General Assembly at its forty-ninth session

1. In paragraph 18 of its resolution 47/211 of 23 December 1992, the General Assembly invited the Board of Auditors, in its concise summary of principal findings, conclusions and recommendations to report in a consolidated fashion on major deficiencies in programme and financial management and cases of inappropriate or fraudulent use of resources together with the measures taken by United Nations organizations in that regard.

2. The findings, conclusions and recommendations included in the present summary are only those of particular importance relating to common themes in organizations audited by the Board. Where appropriate, the Board has indicated the organization(s) concerned but would like to stress that many of its findings and recommendations have more general applicability. The detailed findings relating to a particular organization can be found in the relevant report.

3. The Board has reported on the following:

United Nations a/

United Nations peace-keeping operations b/

International Trade Centre UNCTAD/GATT (ITC) c/

United Nations University (UNU) d/

United Nations Development Programme (UNDP) e/

United Nations Children's Fund (UNICEF) f/

United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) g/

United Nations Institute for Training and Research (UNITAR) h/

Voluntary funds administered by the United Nations High Commissioner for Refugees (UNHCR) i/

United Nations Environment Programme (UNEP) j/

United Nations Population Fund (UNFPA) k/

United Nations Habitat and Human Settlements Foundation l/

United Nations International Drug Control Programme (UNDCP) m/

4. The Board also examined the accounts of the United Nations Joint Staff Pension Fund, and the audit report thereon will be included in the report of the United Nations Staff Pension Board. n/

I. FINANCIAL ISSUES

Qualified audit opinion

5. The Board has qualified its audit opinion on the financial statements of four organizations. In three cases (UNDP, UNFPA, UNDCP), the Board has limited the scope of its opinion because it was unable to obtain sufficient evidence, in the form of audit certificates from Governments and non-governmental organizations, that funds advanced to them for technical cooperation projects had been expended for the purposes intended. These are technical qualifications and do not imply that the funds involved have been misused. In the fourth case, the Board found material uncertainty about the valuation placed on assessed contributions receivable (United Nations peace-keeping operations). The Board recommended that the United Nations administration seek an appropriate solution to the valuation placed on assessed contributions receivable in respect of peace-keeping operations.

6. In the International Trade Centre UNCTAD/GATT, there was a significant post balance sheet item: six major donors, whose contributions accounted for 60 per cent of trust fund income for 1992-1993, have made no commitment to fund any new projects for 1994. The Centre should establish a contingency plan to ensure that planned activities and use of resources are commensurate with available funds.

United Nations system accounting standards

7. Organizations have generally complied with the common accounting standards for the biennium 1992-1993. However, further work needs to be done in the biennium 1994-1995 to bring the financial statements fully in line with these standards. The main areas for attention include disclosure of: valuation of property (United Nations, UNDP, UNFPA, United Nations Habitat and Human Settlements Foundation, UNU); contributions in kind (UNDP); cash held in non-convertible currencies (United Nations, United Nations Habitat and Human Settlements Foundation, UNHCR); and calculation and disclosure of the full long-term liability for termination benefits (ITC).

Accounting and financial reporting

8. In the United Nations, there were serious deficiencies in the accounting and control procedures in regard to some of the revenue-producing activities (A/49/5 (vol. I), sect. II, paras. 260-264).

9. The financial statements of peace-keeping operations did not include expenditures on missions and other peace-keeping related activities which are funded from the regular budget and peace-keeping trust funds. Consideration

should be given to the submission of financial statements for peace-keeping operations which will encompass all relevant activities to ensure adequate transparency and disclosure (A/49/5 (vol. II), sect. II, paras. 42-44).

10. In UNFPA, government disbursement reports totalling $4.8 million relating to 1992-1993 had not been processed, therefore, reported expenditure is understated by this amount. All disbursement reports received before the closure of the accounts should be reflected in the correct year of account (A/49/5/Add.7, sect. II, para. 32).

11. Owing to delays in apportioning costs incurred in the United Nations common premises project, UNICEF, a participating organization, was not able to fully record its potential liability to the project but disclosed the amount of unpaid bills in a note in the financial statements, pending confirmation and settlement. Reporting procedures of the common premises project should be reviewed to ensure periodic apportionment of costs to participating organizations. In addition, a few inaccurate balances still remained in the staff personal accounts as of 31 December 1993. The clean-up of the staff personal accounts should be expedited to assure the integrity of this account (A/49/5/Add.2, sect. II, paras. 36-38, 40-41 and 43).

12. In the United Nations Habitat and Human Settlements Foundation, the declining trend in income from investments noted in the previous biennium persisted during the current biennium partly on account of significant reduction in the level of investments, which indicated deficiencies in cash management (A/49/5/Add.8, sect. II, para. 19).

13. In the United Nations International Drug Control Programme, the split of functions between three administrative units is cumbersome and leads to inefficiency as a result of poor communication between the parties. The Programme, in conjunction with the United Nations, should review and simplify its financial accounting arrangements (A/49/5/Add.9, sect. II, paras. 22-26).

Budgetary control

14. In the United Nations, there was unprecedented expenditure in excess of budgetary allocations for programmes from the General Fund and a number of allotments in excess of appropriations and expenditures in excess of or without allotments. There was also lack of effective budgetary control in regard to trust funds. Further, detailed cost plans were not submitted to enable financial and physical monitoring and control of the trust fund projects. The Board recommended that the effectiveness of the new system of allotments and procedure for review of expenditures should be assessed and further steps taken to achieve effective budgetary control. There should also be effective monitoring of expenditure of trust fund projects and of the project performance (A/49/5 (vol. I), sect. I, paras. 61-71).

15. In the Office of the United Nations High Commissioner for Refugees, the past trend in cancellation of unliquidated obligations and extraordinary increase in the unobligated balance as at the end of 31 December 1993 indicated considerable over-budgeting. Apart from reviewing the procedures on obligation

of funds and the project spending process, the project budgeting techniques and procedures should be refined so that the budget could become a more effective tool for expenditure control (A/49/5/Add.5, sect. I, para. 37).

16. In the United Nations Habitat and Human Settlements Foundation, expenditures continue to be incurred far in excess of the allotments (A/49/5/Add.8, sect. II, para. 21).

II. MANAGEMENT ISSUES

Procurement

17. In the biennium 1992-1993, the Board carried out horizontal studies in two areas: the procurement of goods and services and the implementation of the Integrated Management Information System by the United Nations in addition to the regular programme in each individual organization.

18. In the United Nations, on a case-by-case basis, procurement actions exempted from competitive bidding were justified fully in compliance with the terms of the Financial Rules and Regulations. However, the general level of exemptions, particularly for technical cooperation activities, remain disturbingly high. In respect of procurement actions let through competitive bidding, the use of a relatively narrow range of suppliers, together with the limited extent of bidding, creates an environment where it is unlikely that the United Nations is achieving best value for money. Suppliers rosters are not often used and there is no systematic vetting or approval of the suppliers. Furthermore, there is no effective monitoring and evaluation of supplier performance. In the Department for Development Support and Management Services, the Economic Commission for Africa and the Economic and Social Commission for Asia and the Pacific, procurements could be planned more effectively to achieve bulk discounts. The Board recommended regular monitoring and investigation of the number and extent of exceptions to bidding; contracting by open tender for major procurements; update and regular review of suppliers rosters to reflect performance, technical competence and financial stability; and improvement in the quality of procurement planning; the introduction of a formal programme of training in procurement and recruitment of appropriate outside expertise at a senior level; development of appropriate performance measures for procurement activities; advance assessment of the requirements of goods and services for the duration of a proposed systems contract and the consolidated requirement projected to the bidders so as to derive the maximum price advantage (A/49/5 (vol. I), sect. II, paras. 138-146, 149, 152-153, 156-158, 160-162 and 166-173).

19. One company appeared to have a virtual monopoly for air contract services for peace-keeping operations owing to unfair bidding procedures and inadequate compliance with United Nations Financial Regulations and Rules. The Board recommended that competitiveness in the award of air chartering contracts, including extensions of existing contracts, should be improved to cater for the growing need for air services in peace-keeping operations. In the case of the United Nations Transitional Authority in Cambodia, there was widespread use of the exceptions to bidding provision in situations where the nature of the exigency was not always apparent. Bids were sometimes not adequately evaluated

to take advantage of value-for-money offers submitted by vendors. To reduce excessive flexibility in the use of the exigency provision in procurement and the awarding of contracts and to provide adequate guidance in decision-making, exigency should be defined through a listing of situations that may be considered as such. The nature of the exigency should be documented to provide sufficient evidence to support the decision and to serve as a trail for verification and review. In addition, bids should be adequately evaluated in order to take advantage of value-for-money offers, even if that means splitting the awards (A/49/5 (vol. II), sect. II, paras. 90-92 and 109-110).

20. At UNHCR headquarters and most of its field offices, there is no annual purchase plan to regulate the procurement function in a cost-effective and timely manner. Standardization of suppliers and equipment which was available from more than one source, was not accompanied by agreement on price, thereby incurring the risk of the purchases not being cost-effective. There was no system of ensuring that the implementing partners complied with the UNHCR procurement procedures, including competitive bidding. There was no evidence of any detailed assessment of relative advantages of local and international procurement. The regional procurement arrangement in Nairobi was not effective. In addition, there was apprehension concerning the limited coverage of insurance of goods in transit vis-à-vis the cost, the non-susceptibility of verifying correctness of the profit-sharing commission received by UNHCR and the possibility that the goods were over-insured. The Board recommended that measures should be taken early to enable timely and cost-effective procurement of goods and services, including preparation of annual purchasing plans, decentralization of procurement as far as possible, standardization of prices at least in the short-run, greater use of late delivery penalty provision in purchase orders and effective monitoring of procurement made by implementing partners. In addition, the proposed review of insurance arrangements should cover, inter alia, the conditions governing the profit-sharing commission, the system of filing declarations of goods in transit for insurance and the possibility of further reduction in the premiums paid (A/49/5/Add.5, sect. I, paras. 76-97).

21. In UNDP, procedures employed generally provided a sound framework for procurement activities. However, there is scope for fostering a more imaginative and commercial approach to purchasing. In addition, very few staff in the procurement sections have any recognized qualifications in procurement. There is also a tendency to invite the absolute minimum number of bids required. The vendors listings and suppliers roster, where maintained, were of limited utility and UNDP rarely used public advertising. In addition, the reasons given for seeking waiver action appeared acceptable in the individual circumstances described. However, the general level of waivers granted again appears high compared to the total volume of business and should be monitored closely. There were a number of weaknesses in the procedures applied by the Headquarters purchasing unit, including inadequate bidding procedures and an absence of written instructions on procedures. Above all, there was an absence of any performance measures or targets in assessing the efficiency of procurement activities. The Board recommended that UNDP should evaluate the potential cost and benefits of sponsoring staff in a formal programme of training; response rates to invitations to bid should be closely monitored to identify the major reasons for non-response and to correct any recurring problems. UNDP should

improve its use of suppliers rosters and should make more use of public advertising (A/49/5/Add.1, sect. II, paras. 182-198, 203-207 and 211).

22. With regard to the purchase of contraceptives, the Board was satisfied that the UNFPA rules and regulations were being followed and that wherever possible competition is encouraged. The Board believes that there are potential savings to be made by substituting generic equivalents for branded products. In addition, the coordinated procurement of contraceptives by development agencies should bring about economies of scale resulting in lower unit prices. UNFPA could exert considerable influence over the market in order to create more competition in what are often monopolistic market situations (A/49/5/Add.7, sect. II, paras. 89-94).

23. Failure to encourage competitive bidding persisted in UNEP and contracts were awarded without bids on an urgency basis in a large number of cases, there being no effective advance planning of purchases of goods and services. Furthermore, international procurement was resorted to even for ordinary items of office supplies without ascertaining their local availability. There is a need to maximize the competitive bidding through advance planning of purchases, to discourage delays in vendor deliveries by incorporating a suitable penalty clause in purchase orders and to assess the advantages of local instead of international procurement for appropriate purchase action (A/49/5/Add.6, sect. II, see paras. 55-59).

24. In the United Nations Habitat and Human Settlements Foundation, owing to the lack of proper planning, costly piecemeal purchases were made with short lead time and without effective bidding. An annual procurement plan should be prepared and cost-effective procurement action initiated. The Committee on Contracts should also scrutinize and confirm the reasons given for awarding or extending contracts without competitive bidding (A/49/5/Add.8, sect. II, paras. 22-29).

25. In UNICEF, two departments of a cooperating Government delayed for over six months the reimbursement to UNICEF of the sum of $3.9 million, being procurement services prefinanced by UNICEF under a separate agreement. The Board recommended that UNICEF special agreements with the recipients of procurement services should be reviewed to include penalties for reimbursements that are delayed beyond a maximum agreed period (A/49/5/Add.2, sect. II, paras. 47-49).

26. In UNRWA, the utilization of idle computers at the West Bank should be consistent with the original purpose for which they were acquired and the Agency should establish a clear policy on the administrative use of programme equipment to ensure efficient utilization of project funds (A/49/5/Add.3, sect. II, paras. 58-62).

Integrated Management Information System and management of information technology

27. Implementation of the Integrated Management Information System (IMIS) has been seriously delayed. The organizational structure needed for its timely and

successful implementation was not created. Also, IMIS remained largely a development project with no detailed planning for implementation. In addition, resources required have been considerably underestimated. Furthermore, the offices away from Headquarters are not well prepared for the implementation of IMIS. The Board recommended that besides strengthening of the project team, responsibilities for implementing IMIS should be clearly spelt out and notified to all concerned. The Steering Committee should establish detailed targets for all key responsibility centres for the project, especially in the user departments, and monitor progress regularly. Resources required for implementing IMIS should be reassessed to the extent practicable, in terms of each release and also separately for United Nations Headquarters and offices away from Headquarters. Schedules for implementing IMIS in offices away from Headquarters should also be drawn up. Several preparatory activities that have large lead times, such as the technical skill upgrading, should be prioritized and started in a phased manner (A/49/5 (vol. I), sect. II, paras. 105-112 and 114-133).

28. UNDP information systems are often old, lack integration and overlap considerably in terms of functions. The development of adequate programme information systems for headquarters is most critical. In addition, UNDP has not yet developed a coherent and documented strategy for the use of information technology and does not have a standard methodology for monitoring and controlling system development projects. UNDP should establish a documented information technology strategy which clearly sets out objectives, priority areas, timetables and resource implications. This will require the direct involvement and commitment of senior management to ensure its successful implementation (A/49/5/Add.1, sect. II, paras. 215-224 and 226-231).

29. UNFPA had followed best practice in drawing up its information technology strategy. The plan was well conceived and demonstrated clear linkage to the organization's business objectives (A/49/5/Add. 7, sect. II, paras. 107-109).

Cash management

30. In the United Nations, there is a proliferation of bank accounts and surplus cash balances are held in them earning low rates of interest. The Board would expect the introduction of the cash concentration system and development of other liquid investment alternatives well before the end of 1994 and arrangements for long-term investment of funds as early as possible thereafter (A/49/5 (vol. I), sect. II, paras. 98-104).

31. In UNOSOM, internal control weaknesses in cash management included cash disbursements, improper custodial arrangement for cash and untimely preparation of bank reconciliations. The UNOSOM Finance Section should be provided with an appropriate staff complement to enable it to handle in a more efficient manner the accounting records of the mission (A/49/5 (vol. II), sect. II, paras. 148-150 and 152-154).

32. In UNHCR, there is scope for increase in investment of cash balances and earnings from investments. Measures to ensure the best return on investments

and cash resources, including qualitatively strengthening the Treasury Section, should be expeditiously taken (A/49/5/Add. 5, sect. I, paras. 43-45).

Consultants, experts and temporary assistance

33. In the United Nations, there were deficiencies in the hiring of consultants, such as absence of a consolidated roster for selection, violation of the limit to the duration of hiring, reliance on consultants even for regular work, payments not being linked to specific phases of work and unnecessary payments in foreign currency. These were noticed mostly in the regional commissions. Further, the irregularity of commencement of work by consultants without the signing of special service agreements, persisted (A/49/5 (vol. I), sect. II, paras. 238-245).

34. In the UNICEF Supply Division, the use of special service agreements as a conduit for the engagement of short-term personnel to perform regular staff functions should be discontinued (A/59/5/Add.2, paras. 58 and 59).

35. In the United Nations University, equitable geographical distribution has not been attained in respect of researchers, advisers and coordinators engaged by the University. In addition, the administrative instructions governing the tenure and remuneration of consultants are not strictly followed. Also, the contractual performance and the delivery of outputs were delayed. The Board reiterated its recommendation that identification of competent scholars from developing countries and formulation of programmes involving developing country-based researchers should be intensified in order to attain equitable geographical distribution. Furthermore, there should be more frequent reviews of the current status vis-à-vis contractual requirements and the terms of payment of fees should be reviewed and modified in a manner that would act as an incentive to expedite the work (A/49/5 (vol. IV), sect. II, paras. 29-37).

36. In UNEP, in a number of instances, there was either violation or circumvention of the General Assembly decisions, administrative instructions or other norms governing the engagement of consultants and experts. Adequate checks and balances should be built into the process of engagement of consultants and a periodic review instituted to ensure that there is no violation or circumvention of the well-established procedures and regulations (A/49/5/Add.6, sect. II, paras. 60-69).

37. Different parts of UNDP operate different procedures with regard to the approval of consultancy contracts. Also, documentary evidence pertaining to the short-listing and selection of consultants was not maintained (A/49/5/Add.1, sect. II, paras. 174-179).

Programme management

38. In UNICEF, given the limitations of the Central Emergency Revolving Fund as a funding mechanism, the capacity to respond quickly and effectively to emergency situations will be weakened without the clearly defined and adequate support of the UNICEF emergency programme fund. The Administration should

re-examine the present policy on the utilization of that fund and make recommendations to the Executive Board on its effective use to strengthen the emergency readiness of UNICEF (A/49/5/Add.2, sect. II, paras. 71-74).

39. In UNHCR, in various refugee camps, the population of refugees was not correctly assessed, for a variety of reasons. As a result, UNHCR was spending more than what was needed. Also, in the absence of any norms to regulate the project overheads of implementing partners, unjustified variations in the overheads persist. Programme support and administrative costs of some of the UNHCR field offices are also high. Further, deficiencies persist in the financial control of projects implemented through various agencies. The Board recommended that, in addition to providing guidelines and better tools for registration of refugees, conditions conducive to organizing the registration should be created in concert with the host Governments and main implementing partners; steps should be taken to contain within a reasonable limit both the direct and indirect staff costs and the administrative expenditures relating to UNHCR programmes; norms should be established to regulate the overhead costs of implementing partners; and greater emphasis should be laid on imparting necessary training to the implementing agencies and on undertaking effective physical and financial monitoring and evaluation of projects by UNHCR field offices (A/49/5/Add.5, sect. I, paras. 46-51, 56-60 and 67-68).

40. In UNU/INTECH, programme activities and outputs were substantially less than originally anticipated and the Institute has not so far succeeded in widely disseminating and publicizing its work. Project planning, implementation and monitoring should be improved to ensure timely completion of projects and effective dissemination of the research outputs (A/49/5 (vol. IV), sect. II, para. 27).

41. In UNEP, final outputs in the form of publications providing guidelines/ criteria on environmental aspects were sometimes either delayed or were not produced in a number of projects and there were considerable shortfalls in the realization of objectives. In addition, there were several deficiencies in the monitoring and evaluation of projects. Methods and procedures should be devised to facilitate delivery of the outputs of expected quality in accordance with the workplan and timetable set out in the project documents. In addition, the format of progress reports, terminal report and self-evaluation fact sheet should be suitably changed to enable a more meaningful monitoring and evaluation of projects (A/49/5/Add.6, sect. II, paras. 33-44 and 48-52).

42. In the United Nations Habitat and Human Settlements Foundation, there were several shortcomings in the planning and implementation of projects. Also, printing of publications has been in excess of requirements and the accumulated stock remains to be disposed of. Apart from strengthening the monitoring and oversight of projects, there should be effective internal evaluation of completed projects and evaluation arrangements should be qualitatively upgraded. Further, the possibility of gainfully utilizing the existing stock of publications should be explored as soon as possible and the systems and procedures relating to printing and distribution should be reviewed and revamped (A/49/5/Add.8, sect. II, paras. 31-42).

43. In UNRWA, owing to inadequate anticipation of problems at the planning stage, inadequate feasibility studies and factors external to the Agency, funds originally earmarked for specific projects were reprogrammed to fund or co-fund new projects, leading to changes in objectives and implementation delays. The Board recommended that programme delivery should be further improved through comprehensive project planning including adequate feasibility studies and the elimination of avoidable delays in project execution (A/49/5/Add.3, sect. II, paras. 36-41).

44. In the United Nations, there is also extensive reliance on non-local temporary assistance staff for translation, which is three times more costly than the use of regular staff or contractual services. Also, the procedure adopted for contracting translation work does not elicit wide participation. The implementation of the Technological Innovations Programme to improve the efficiency, quality and cost-effectiveness of the conference services, is behind schedule. Further, workload standards have not yet been revised. The Board recommended the reduction in temporary assistance, especially non-local, for translation work; expansion of the field of choice of institutional or corporate entities for the translation work; and revision of workload standards. In addition to ensuring reduction of both the volume of documentation and the delays in their submission, other options for cost-saving should be considered and implemented for managing conference services without undue overtime payments, and the implementation and management of the Technological Innovations Programme should be strengthened (A/49/5 (vol. I), sect. II, paras. 208-215).

45. In addition, owing to the absence of a system for calculating the production and distribution costs of publications, there is no mechanism for fixing prices in a manner that will ensure that costs are recouped in accordance with the new pricing policy for United Nations publications for sale. There was also no effective monitoring and control of the wastage/spoilage of paper in the in-house printing process, which is admittedly higher than the industry averages and there appeared to be considerable over-production of publications resulting sometimes in a high disposal rate. To effect possible economy in publishing services, the study of costs and review of pricing policy for United Nations publications should be completed, a system to quantify the wastage and spoilage of paper in printing and to identify the areas of excessive paper consumption should be introduced, and follow-up action taken. Further, excessive printing of publications for sale should be avoided (ibid., sect. II, paras. 220-230).

46. In UNITAR, a number of special-purpose grant funds remain in deficit. An appropriate strategy for dealing with the deficit should be drawn up and implemented (A/49/5/Add.4, sect. II, paras. 23-27).

47. The United Nations International Drug Control Programme has a generally sound system for project formulation and approval, although some commitments had been entered into before formal approval of the project proposal. On implementation, the pattern of expenditure showed some marked differences from the approved budget (A/49/5/Add.9, sect. II, paras. 33-40).

Programme support costs

48. In the United Nations, owing to either excess expenditure or lesser recoveries, the operation of three accounts under "special accounts for programme support costs" resulted in deficits totalling $12 million during the biennium 1992-1993. One of these accounts has been in deficit successively during the last three bienniums. The present practice of seeking reimbursement of programme support costs based on historical data has resulted in an under-recovery of expenditure. The budgets for the programme support costs are not based on the estimated expenditure related to the extrabudgetary activities during a biennium and there are no criteria for authorizing extrabudgetary posts. The Board recommends that there should be effective cost control in providing programme support and other services and that the recovery of costs should be on a more realistic basis so that the programme support income and expenditure, match from year to year, as far as possible (A/49/5 (vol. I), sect. I, paras. 72-82).

49. The programme support account for technical cooperation activities had a deficit of $11.6 million in 1992-1993. This was the result of a sharp decline in support cost revenue from UNDP and UNFPA. As a consequence of falling revenue, the Department for Development Support and Management Services had to cut its staffing levels early in 1994 (ibid., sect. II, paras. 178-182).

50. Both UNDP and executing agencies had encountered initial difficulties in implementing the revised support cost arrangements smoothly. As a consequence, UNDP has been unable to validate approximately $1.5 million of support costs reported by agencies. The Board recommended that UNDP and the executing agencies should work together to address the problems with the successor support costs arrangements which were encountered in 1992-1993 (A/49/5/Add.1, sect. II, paras. 71-76).

51. In the International Trade Centre, the funding of salary costs for staff with permanent status or fixed-term contracts for three years or more, from declining programme support cost revenue could lead to insufficient resources being available to meet such commitments. Wherever possible, ITC should consider using more temporary and short-term staff for programme support activities. During 1992-1993, the Centre experienced a sharp decline in the value of the UNDP-funded projects, if executed. This resulted in a reduction in income from support costs from UNDP from $4.3 million in 1990-1991 to $3 million in 1992-1993. Should contributions for new projects not be received in 1994 from major trust fund donors or from other sources of income on a scale comparable with previous years, ITC will be required to modify significantly the scale of its operations. The Board recommended that the Centre establish a contingency plan to ensure that its planned activities and use of resources are commensurate with the funds available to the Organization (A/49/5 (vol. III), sect. I, paras. 45-52 and 57-59).

Management of technical cooperation projects

52. UNDP has made steady progress with the implementation of the programme approach and has now begun to develop an integrated programme management system

to address the programme information needs of country offices and headquarters. There are sometimes difficulties in finding suitably qualified independent consultants to sit on local project appraisal committees. Project objectives and, in many cases, outputs were not stated in terms which facilitated easy measurement of project progress or achievements. Project workplans were often of poor quality and did not normally provide a realistic basis for project implementation. Above all, monitoring of projects has become highly mechanistic and had not always been carried out effectively. In addition, there is some evidence that the reliability of government inputs to technical cooperation projects is deteriorating. There is also limited facility at headquarters for effective financial monitoring of programmes and projects. Above all, in a number of projects examined, there were misgivings about the sustainability of the projects once UNDP funding and support were withdrawn. The Board recommended that UNDP should perform an evaluation of the effectiveness of local project appraisal committees as a matter of some urgency; the appraisal process should be reinforced by systematic recording and follow-up of the recommendations of those committees; suitable guidance (including training) on setting appropriate objectives and measuring their achievement should be provided to programme staff; all parties involved in a project should formally approve the completed workplan to signify their commitment to achieving project objectives in the proposed time scale and their agreement that the plan is realistic; and UNDP should reaffirm the requirement for on-site monitoring of projects and should introduce a formal mechanism to ensure that lessons learned from project evaluations are disseminated effectively (A/49/5/Add.1, sect. II, paras. 112-116, 120-123, 132-134, 137-157, and 160-171).

53. In UNFPA, the quality of the programme review and strategy development reports had been uneven, both in context and depth of analysis. There were also a number of significant shortcomings which in many cases were indicative either of deficiencies in the design of the project or of difficulties in the management of the project. The Board recommended that future programme review and strategy development exercises should include a full evaluation of past programme performance; with regard to the continuing problems with project design and formulation, greater effort should be devoted to training, particularly for field staff; project appraisal procedures should be applied more vigorously at all levels; during project planning, more attention should be paid to assessing the capabilities of executing agencies. Above all, project documents should include a statement of the requirements expected of executing agencies. UNFPA should monitor performance against these statements (A/49/5/Add.7, sect. II, paras. 53-54, 60-73, 77 and 80).

54. In the Department for Development Support and Management Services and UNCTAD, few of the project documents contained measurable objectives in either quantifiable or qualitative terms and most technical cooperation projects executed are delivered later than planned with significant cost increases compared to the original budgets. In addition, overall responsibility for the management of projects is confused; thus, there is no clear accountability. There needs to be more pro-active management of technical cooperation projects, especially given the decline in the use of chief technical advisers and the pressure to justify support costs. This should involve clear accountability for implementing projects to time and budget (A/49/5 (vol. I), sect. II, paras. 184, 189-195 and 207).

55. In the International Trade Centre, project objectives and outputs are often too broad and do not specify measurable targets in terms of quantity or quality. Project progress reports submitted in 1992-1993 indicated deficiencies with reports tending to place more emphasis on planning for the next project phase rather than providing a progress report on achievements to date. In addition, ITC carries out very few ex-post-facto evaluations. The Centre should pay more attention at the planning stage as to whether the project is sustainable in the long term, to assessing the relevance of project ideas and proposals against its stated priorities. In addition, ITC should continue to take steps to ensure that project objectives and outputs are defined in specific and quantifiable terms. Further, the Centre should strengthen its planning of ex-post-facto evaluation at the project level (A/49/5 (vol. III), sect. II, paras. 81-82, 85, 94-95, 98 and 119).

Expendable and non-expendable property

56. In the United Nations, the value of cumulative inventory of non-expendable property, indicated in a note to the financial statements, is not reliable (A/49/5 (vol. I), sect. I, paras. 87-88).

57. In peace-keeping operations, reasonable compensation to the United Nations for losses caused by United Nations personnel is lacking. Also, existing arrangements with troop-contributing countries do not provide for financial assessments on members of military contingents and observers. The Board recommended that all possible steps should be taken by the United Nations with the view to establishing appropriate procedures for reimbursing the United Nations of losses of cash and property arising from the fault of military contingents (A/49/5 (vol. II), sect. II, paras. 103-108).

58. In UNRWA, inventory control was lax; updated records were lacking in many departments and offices while investigations into missing items were slow. In addition, the ownership of equipment worth over $1.1 million purchased by the Agency through third-party contributions for the provision of medical services to refugees, has not been properly established. The Board recommended that property management and accountability should be emphasized. In addition, the Agency should establish and enforce a clear policy on the ownership of property acquired for projects through third-party contributions/donations (A/49/5/Add.3, sect. II, paras. 69-70, 72-73 and 75-78).

Cases of fraud and presumptive fraud

59. The Board was provided with information on some 74 cases of fraud or presumptive fraud involving a total of $1,911,223 that became known to nine organizations during 1992-1993. Of this amount, approximately $1,076,160 has been recovered; these cases involved staff members and non-staff members.

Disciplinary action in the form of summary dismissal was taken against some of the staff members and other cases are still under investigation.

(Signed) Sir John BOURN
Comptroller and Auditor General
of the United Kingdom of Great Britain
and Northern Ireland

(Signed) Osei Tutu PREMPEH
Auditor-General of Ghana

(Signed) Codanda Ganapathy SOMIAH
Comptroller and Auditor General
of India

30 June 1994

Notes

a/ Official Records of the General Assembly, Forty-ninth Session, Supplement No. 5 (A/49/5), vol. I, sect. II.

b/ Ibid., Supplement No. 5 (A/49/5), vol. II, sect. II.

c/ Ibid., Supplement No. 5 (A/49/5), vol. III, sect. II.

d/ Ibid., Supplement No. 5 (A/49/5), vol. IV, sect. II.

e/ Ibid., Supplement No. 5A (A/49/5/Add.1), sect. II.

f/ Ibid., Supplement No. 5B (A/49/5/Add.2), sect. II.

g/ Ibid., Supplement No. 5C (A/49/5/Add.3), sect. II.

h/ Ibid., Supplement No. 5D (A/49/5/Add.4), sect. II.

i/ Ibid., Supplement No. 5E (A/49/5/Add.5), sect. I.

j/ Ibid., Supplement No. 5F (A/49/5/Add.6), sect. II.

k/ Ibid., Supplement No. 5G (A/49/5/Add.7), sect. II.

l/ Ibid., Supplement No. 5H (A/49/5/Add.8), sect. II.

m/ Ibid., Supplement No. 5I (A/49/5/Add.9), sect. II.

n/ Ibid., Supplement No. 9 (A/49/9).